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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 02/22/07

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 21

NIHON KEIZAI (Page 2) (Full)
February 22, 2007

10:30

Met Special Advisor Nemoto at the Kantei.

11:00

Met Vice Foreign Minister Yachi.

13:20

Made a thank-you call to a 5th grader at Yamaga Elementary School in Kumamoto for receiving rice.

13:34

Met State Minister in Charge of Administrative Reform Watanabe.
Followed by Deputy Chief Cabinet Secretary Matoba. Later, met Vice

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Health, Labor and Welfare Minister Tsuji and others.

14:59

Met Upper House member Shin Sakurai.

15:28

Attended funeral service for former Tokyu Agency President Maeno at Aoyama funeral home.

16:23

Met Vice Internal Affairs and Communications Minister Ono.

16:34

Met Special Advisor Yamatani. Joined by Lower House member Hideo Usui.

17:34

Met former Cabinet Security Affairs Office head Sasa, who was awarded the Seiron Grand Prize at the Akasaka Prince Hotel, and others.

18:03

Met US Vice President Cheney at the Kantei, with Chief Cabinet Secretary Shiozaki, US Ambassador Schieffer and others.

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19:18

Hosted a banquet with the vice president at his official residence.

4) Cheney-Abe meeting: Japan, US to cooperate on North Korea, Iraq

ASAHI (Page 1) (Full)
February 22, 2007

Prime Minister Abe yesterday met with visiting US Vice President Cheney at his office. The two confirmed that Japan and the United States would continue to cooperate at the six-party talks over the issue of North Korea's nuclear weapons programs. In addition, Cheney also stressed that the United States would cooperate with Japan on the issue of Japanese nationals abducted to North Korea, saying, "It's a common challenge to resolve the tragedy of Japanese abductees." Cheney also appreciated Japan's cooperation with the United States in its war on terror. Abe clarified that Japan would continue to support the United States.

"Japan and the United States are values-sharing partners," Abe told Cheney in the meeting. Abe also noted that Japan-US relations are "rocksolid and irreplaceable," saying, "Our bilateral alliance is

for Asia and the world." He then noted the importance of steadily realigning US forces in Japan and accelerating bilateral cooperation on missile defense.

Cheney stressed the importance of global fighting against terrorism and sought Japan's understanding on the United States' policy, such as sending US reinforcements to Iraq. Abe replied that Japan would shore up the United States through the Air Self-Defense Force's activities (in Iraq) and the Japanese government's official development assistance (ODA) programs for developing countries.

Abe also explained that Japan is now coordinating to work with a military-civilian provincial reconstruction team (PRT) that is developing activities in Afghanistan under the initiative of North Atlantic Treaty Organization (NATO) member nations.

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Meanwhile, referring to the issue of North Korea's nuclear arsenal, Cheney said Japan was an "important partner" of the United States at the six-party talks. Abe stressed the gravity of the abduction issue, and Cheney showed "deep understanding." This can be taken as indicating the United States' understanding on Japan's stance of not providing energy aid to North Korea without seeing progress in the abduction issue.

In addition, Abe and Cheney voiced concerns about China's "unclear, sudden military expansion," and they agreed to keep tabs on China's future improvements in its capability of carrying out space operations, such as its recent destruction of a satellite in a test.

Earlier in the day, Foreign Minister Aso also met with Cheney. In the meeting, Aso asked the United States to continue its sanctions on North Korea, suggesting the need to continue pressuring North Korea for specific steps to denuclearize North Korea.

5) Cheney, Abe reconfirm cooperation to convince North Korea to renounce nuclear programs; Define resolving abduction issue as common task

YOMIURI (Page 2) (Full)
February 22, 2007

Prime Minister Abe reconfirmed with United States Vice President Cheney at the Prime Minister's Official Residence yesterday that Japan and the US would work together to convince North Korea to renounce its nuclear weapons and programs. Cheney expressed his understanding over Japan's stance over the issue of North Korea's past abductions of Japanese citizens. Abe said, "We would like to affirm the importance of the Japan-US alliance and boost it for the sake of the world and Asia." The vice president replied, "I assure you that the US commitment is staunch." Cheney and Abe then agreed on the importance of strengthening cooperation among the US, Japan and Australia in the Asia-Pacific region.

On the abduction issue, Vice President Cheney reiterated that the US would cooperate to resolve the issue as "a common task of Japan and the US." Specifying the six-party agreement over North Korea's nuclear issue as "a step forward in the right direction," Cheney indicated that the key lies in what response North Korea will make.

Cheney extended his thanks to Japan's contributions to the US-led fight against terrorism. In response, Abe indicated a positive stance about having Self-Defense Force troops participate in provincial reconstruction teams (PRT) in Afghanistan.

6) Japan, US play up importance of bilateral alliance

YOMIURI (Page 2) (Full)
February 22, 2007

In US Vice President Dick Cheney's meetings with Prime Minister Shinzo Abe, Foreign Minister Taro Aso and other government officials, much time was spent on the North Korean issue, to which the Abe government has attached high priority. Both sides were eager

to play up the importance of the Japan-US alliance, which has been somewhat strained by Defense Minister Fumio Kyuma's remarks critical of the US government's policy.

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Cheney pledged anew US support for Japan on the North Korea abductions, and he refrained from referring to the Iraq issue. Ahead of his departure this morning for Australia, the vice president will meet the parents of Yokota Megumi, a Japanese abducted to North Korea. Some observers see Cheney's Japan visit indirect support for Abe, as well as a possible warning against conciliatory moves toward Pyongyang in the United States.

It is viewed that Cheney, who has backed the Bush administration as a key representative of the conservative group, is critical of the agreement reached at the recent six-party talks to provide energy aid to North Korea. The vice president's move to join hands with the prime minister seems likely to be aiming at throwing a wet blanket over policy moves in the State Department, which is desperate for diplomatic results on North Korea in order to make up for the policy failure in Iraq.

Meantime, some Japanese government officials were initially concerned that the six-party agreement stipulated that the US would start the process of removing North Korea from its list of terror-sponsoring states. Tokyo was also concerned that a meeting between the vice president and the defense minister was not carried out. Japanese government officials are now praising the remarks in meetings by Cheney, who also serves as president of the Senate and is now traveling to Japan and Australia during the congressional recess. "Relations between the US and Japan have never been better than they are today," Cheney reiterated.

7) Meeting between prime minister, US vice president: Footings of Japan, US hardliners crumbling, buffeted by Iraq, North Korea issues; Seek way out by playing up honeymoon aspect of relations

ASAHI (Page 3) (Excerpts)
February 22, 2007

"The US-Japan alliance is in its best shape ever," stressed US Vice President Cheney, a representative hardliner in the Bush administration, while standing on the deck of the US Navy carrier Kitty Hawk at Yokosuka Navy Base. His words sought to further strengthen bilateral alliance ties. Prime Minister Abe, as well, in his first meeting with Cheney in two years, played up the unshakable aspects of the alliance relationship, and the words of the two hardliners resounded against each other. However, the hard-line stances on Iraq policy and the North Korea issue have begun to show signs of faltering. The reunion of the two leaders could not mask the uncertainty about their respective policy footing.

Vice President Cheney at the start of his meeting with Prime Minister Abe repeated the words "alliance relationship" six times. The meeting started with words of praise from the two leaders for the alliance.

The vice president supported Japan's position on the abduction issue. Prior to the meeting, the prime minister stressed to the press corps, "I would like to explain well how important the abduction issue is in my cabinet." The vice president backed his thinking. He will meet this morning with Shigeru Yokota, the representative of the family association of abducted victims, in an effort to wipe away any remaining concerns in Japan about the US' diplomacy toward North Korea. The vice president, who rejects the notion of direct dialogue between the US and North Korea, seems to

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be skeptical about the six-party agreement. He found commonality with the prime minister, who chose the option of not providing energy aid to North Korea unless there is progress on the abduction front.

8) US Deputy Secretary of State Negroponte to come to Japan next month

MAINICHI (Page 2) (Full)
February 22, 2007

Hiroaki Wada, Washington

A spokesman of the United States Department announced on Feb. 21 that new Deputy Secretary of State Negroponte would tour Japan, China, and South Korea on March 1-3 to discuss North Korea's nuclear programs and other issues. Negroponte will make an overseas trip for the first time after assuming the current post. It was reported that the deputy secretary would visit North Korea, but the spokesman strongly denied the report.

9) Sasae: Disabling North Korean nuclear facilities was next-best step

TOKYO SHIMBUN (Page 2) (Abridged slightly)
February 22, 2007

The consensus document adopted in the latest six-party talks obligating North Korea to disable its nuclear facilities was the "second-best" step taken under Pyongyang's pressure for concessions.

Foreign Ministry Asian and Oceanian Affairs Bureau chief Kenichiro Sasae, Japan's chief negotiator in the six-party talks revealed this before the Lower House Foreign Committee yesterday.

About the North Korean nuclear facilities, Sasae said:

"It is clear that the 'dismantlement' is the final accord in the (September 2005) joint statement. North Korea did not agree to total denuclearization, and we had to agree to disabling the nuclear facilities as the next-best step, thought it is an interim measure."

In 1994, Washington and Pyongyang adopted the Agreed Framework obligating North Korea to freeze its nuclear facilities. Despite that, North Korea has resumed nuclear development.

Learning bitter lessons from this, the US in the latest six-party talks strongly opposed to "freezing" nuclear facilities, which might be lifted. As a result, the parties adopted the joint statement mandating the North to shut down and seal its nuclear facilities in Yongbyon within 60 days. As the next step, the statement also obligated the North to disable its facilities.

Sasae's statement indicated that the agreement reached in the last six-party talks was a product of compromises by both the US, which sought a step stricter than freezing the nuclear facilities, and North Korea, which opposed to dismantlement.

"Disabling" has no set definition in the area of nuclear nonproliferation. As such, Sasae said: "We will have to determine

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what 'disabling' specifically means."

North Korea regards the promised provision of 1 million tons of heavy fuel oil as an incentive in return for temporarily disabling its nuclear facilities. The next round of the six-party talks planned for March is expected to run into difficulties over the definition of "disabling."

10) Aso suggests additional sanctions on North Korea depending on progress on abduction issue

TOKYO SHIMBUN (Page 2) (Full)
February 22, 2007

Foreign Minister Taro Aso suggested yesterday that Japan might take additional sanction measures depending on how North Korea responds to the abduction issue, saying, "Japan might as well take additional

sanction measures against the North if it failed to exhibit sincerity (in dealing with the issue of Japanese abducted by that country)." Aso was speaking before the Lower House Foreign Affairs Committee about the establishment of a Japan-North Korea working group, which was agreed upon in the previous six-party talks.

Aso also said: "North Korea might show sincerity. In that case, we might soften (the sanctions)."

Meanwhile, Prime Minister Shinzo Abe told the press corps at his official residence: "We will make efforts to bring progress to the abduction issue through the working group. Unless there is progress, North Korea's situation will not become better."

11) Aso to urge US to correct its report on "controversy between Japan, North Korea over remains"

SANKEI (Page 5) (Abridged slightly)
February 22, 2007

A US State Department document on the issue of Japanese nationals abducted by North Korea reads: "Although North Korea has returned remains of two Japanese nationals to Japan, controversy remains." Foreign Minister Taro Aso revealed a plan before the Lower House Foreign Affairs Committee yesterday to urge the United States to revise this statement. In 2004, North Korea presented Japan with purported remains of Megumi Yokota and another abductee. However, the Japanese government has concluded from subsequent DNA testing that the remains were not authentic. Tokyo's position is that there is no controversy over the remains.

The document in question is the US annual report titled "Patterns of Global Terrorism" that came out last April. It is an official US report identifying North Korea as a state sponsor of terrorism, citing the abduction of Japanese nationals as a reason.

In the committee session, Minshuto (Democratic Party of Japan) lawmaker Akihisa Nagashima criticized the report, saying, "(The annual report) reads as if Japan and North Korea were locking horns over the fake remains." The report also says that five abductees returned to Japan in 2003 instead of October 2002. Nagashima referred to this as a simple factual error.

In response, Aso said: "I saw the document for the first time. We will deal with the matter properly."

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12) Japanese government negotiating with Russia to consign uranium enrichment

MAINICHI (Page 2) (Full)
February 22, 2007

The Japanese government has launched negotiations with the Russian government to consign to Russia the enrichment of uranium that was recovered from spent fuel rods, according to informed sources yesterday. Enriched uranium will be used as fuel in nuclear power plants in Japan. Since enriched uranium could be used to produce nuclear weapons, Japan has proposed, as the condition for reaching a deal, to sign a bilateral nonproliferation accord, including an inspection by the International Atomic Energy Agency (IAEA). But Russia has indicated disapproval. It is to be seen whether an agreement can be reached in the negotiations.

To produce nuclear fuel for nuclear power plants, enriching natural or recovered uranium is necessary. Because Japanese facilities do not have enough capacity to enrich uranium, more than 90% of total domestic demand has been consigned to plants overseas. Since Japan has given priority to enriching natural uranium, about 6,500 tons of recovered uranium has been stored in Britain.

13) Gov't eyes military info security pact with US

YOMIURI (Page 2) (Abridged)
February 22, 2007

The government decided yesterday to enter into a general security of military information agreement (GSOMIA) with the United States. The GSOMIA is a comprehensive arrangement intended to protect defense secrets. This will make it possible for Japan to exchange highly

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confidential intelligence with the United States. The two countries

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are expected to reach a substantive agreement in a two-plus-two foreign and defense ministerial meeting of their intergovernmental security consultative committee in March and sign a GSOMIA pact within the year.

14) Kyuma remains mum about probe into info leakage

YOMIURI (Page 2) (Full)
February 22, 2007

Defense Minister Kyuma, sitting in on the House of Representatives Special Committee on Iraqi Reconstruction Assistance in its meeting yesterday, stated that he could not clarify anything about the issue of an Air Self-Defense Force colonel's alleged leakage of information. In this case, the ASDF colonel, once posted to the Defense Intelligence Headquarters at the Defense Ministry, is alleged to have leaked in-house information to a Yomiuri Shimbun reporter. The colonel is suspected of having violated the Self-Defense Forces Law, and SDF Police Command authorities are now looking into the case. "This matter is under investigation, so I cannot reveal anything about the investigation," Kyuma stated before the committee. "If the defense minister judges that something should be classified, there may be an arbitrary manipulation of information," a committee member asked. In response to this question, Kyuma replied: "I'm not saying we will make a secret of everything. The defense minister is not the only one to classify (defense secrets). The defense minister is to classify information

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after consulting with the Self-Defense Forces and the Defense Ministry's internal bureaus, so I'd like to ask you to trust us." With this, Kyuma sought understanding.

15) Research on environment around Camp Schwab to start in April; Local residents' backlash inevitable

YOMIURI (Page 4) (Full)
February 22, 2007

In order to break the impasse in negotiations on the relocation of the US Marine Corps' Futenma Air Station to the coast of Camp Schwab, the government has decided to begin in April research on the present environment of the costal area even without the consent of local municipalities. The local governments' reaction against the central government will unavoidably become stronger. Therefore the negotiations on the base relocation will likely be thrown into confusion.

The main agenda in the negotiations is whether to change the government plan to build V-shaped runways on the coast of Camp Schwab. The government has made efforts to seek understanding for the implementation of an environmental impact assessment through meetings between the government, Okinawa Prefecture, and four affected municipalities. The talks between the government and Okinawa have encountered difficulties. A senior Okinawa Government official commented: "We cannot accept an environmental impact assessment that is premised on the government plan."

The central government has taken a tough position, as seen in a remark by a senior Defense Ministry official: "There is no reason to change the government plan, since the agreement has been made with the United States and local governments."

Okinawa Gov. Hirokazu Nakaima, who is increasingly alarmed by the government's tough stance, on Feb. 18 secretly came to Tokyo to meet with Defense Minister Fumio Kyuma. However, the government and

Okinawa have yet to find common ground. Some Okinawa officials have an optimistic view that the government plan will be changed through a political decision eventually.

The government has, however, the bitter memory that although Futenma relocation was agreed upon in 1996, it has yet to be implemented. A senior Defense Ministry official quipped: "The government should not take a lax response to Okinawa. The issue will not be resolved unless the government takes a firm stance in dealing with the issue."

16) Interest rate hike causes stir: BOJ heavily responsible for its results: Price rise remains sluggish; Dialogue with market insufficient

YOMIURI (Page 9) (Excerpts)
February 22, 2007

The Bank of Japan (BOJ) yesterday decided to raise the key interest rate at its Policy Board meeting. What turned the interest rate hike into a concrete deal, despite resistance from within from Deputy Governor Kazumasa Iwata, was Governor Toshihiko Fukui's desperate efforts to normalize the interest rate. However, given the consumer price index and other economic indicators, it cannot be said that the Japanese economy has climbed out from its ills. Fukui will be

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held accountable to the public and the market for his decision to raise the interest rate at this timing. He will also be responsible for what the hike will bring about.

A news conference was held at 3:30 p.m. in a large conference room on the 9th floor of the BOJ head office in Nihonbashi, Tokyo. Fukui told more than 100 reporters the reason for his decision to raise the interest rate to a news conference held: "It is all right for you to take that while the BOJ is using the term 'will maintain an extremely low interest rate level,' there is still room for normalizing the interest rate." He thus categorically indicated his intention to raise the interest rate gradually.

Fukui is eager to raise the interest rate out of the concern that the adoption of the ultra-low interest rate over too long a period of time could bring about excessive capital investment.

The BOJ in its economic and price outlook report released last April also pointed out the need for an interest rate hike, noting: "Increased stimulus effects from the financial policy front will lead to volatile economic activities, which could in turn cause a risk of volatile fluctuations in the rate of price increases."

However, many market players feel that the accounts Fukui has repeatedly given on the interest rate hike this time are insufficient.

17) Heizo Takenaka, professor at Keio University, former internal affairs minister: Deflation was not taken into account

YOMIURI (Page 9) (Full)
February 22, 2007

"The Bank of Japan (BOJ) is carrying out a financial policy for its own sake. It has raised the key interest rate, saying that the low interest rate is unreasonable. It has not taken people's life and deflation into account at all. It is regrettable that it has made the decision without giving sufficient accounts in the midst of a rising concern as to whether the 2% target for nominal growth can be achieved. Japan has begun to show high potential growth like the US in the 1990s. The US has realized high growth through flexible financial policy, but the BOJ has ruled out such a possibility by hiking the interest rate this time. The government, which is pursuing high growth, should have exercised its right to demand the BOJ to postpone its decision."

18) Ruling coalition raises doubt about Ozawa's acquiring real estate

In a compliance subcommittee meeting yesterday of the party's reform implementation headquarters, Liberal Democratic Party (LDP) Acting Secretary General Nobuteru Ishihara criticized Minshuto (Democratic

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Party of Japan) President Ichiro Ozawa for having acquired real estate properties and including the assets in fund management group's office expenses. Ishihara stated: 'I have a question that why he had to use political funds to buy real estate.' He cited the following questionable points: It is unclear where and how he got the money that was used to purchase the real estate; and should not he have reported the properties as his income in terms of law?

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LDP Secretary General Hidenao Nakagawa stressed in a meeting Tokyo: "Mr. Ozawa needs to explain the reason why the purchase of real estate does not violate the Political Funds Control Law that regulates the use of political funds."

Meanwhile, three opposition parties Minshuto, the Social Democratic Party (SDP) and the People's New Party yesterday reached an agreement to call on senior ruling coalition members to disclose the details of office expenses.

SCHIEFFER